



Testimony

of

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for the

Subcommittee on Trade

of the

Committee on Ways and Means

hearing on

**“Supporting U.S. Workers, Businesses, and the Environment
in the Face of Unfair Chinese Trade Practices”**

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Chairman Blumenauer, Ranking Member Buchanan, members of the subcommittee, thank you for the opportunity to testify today. My name is Roy Houseman and I have the privilege to represent members at the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, commonly known as the United Steelworkers (USW) as Legislative Director. Today's hearing could not have come at a better time, and Congress plays a vital role in supporting U.S. workers, businesses, and the environment in the face of unfair Chinese trade practices.

As the largest industrial union in North America, our organization takes the challenges of unfair trade practices seriously. Our union is an integral component of manufacturing supply chains: We supply America with the goods that don't have to wait on a container ship, and the growth and rise of China as a global economic competitor has been at the forefront of the union's attention even before the U.S. voted to grant China permanent trade status. In 2000, our former International President George Becker highlighted in a Senate hearing about granting China Permanent National Trade Relations (PNTR) –

“On PNTR, this is not a trade agreement. This is an agreement for financial institutions and for multinationals to allow them to build factories in China and export the goods back to the United States. They are looking for cheap labor. They are looking for the absence of environmental controls. They are looking for the maximum profits.”¹

Twenty-one years later, much has changed, however much has remained the same. Millions of manufacturing jobs were lost and the trade deficit with the People's Republic of China (PRC) has ballooned from around \$71 billion a year² to \$434.7 billion in 2020.³ Efforts to wrangle with the PRC's economic policy since the U.S. granted PNTR status have veered from dialogue to tariffs, but for our organization, whose guiding principles include the goal to “increase the wages, and improve the conditions of employment of our members by legislation, joint agreements or other legitimate means”, our government's response to the PRC's tactics still has not met the mark for the American worker.

Take for example, USW Local 135L member Joe Wrona who testified earlier this year at the Senate Finance Committee on how the PRC's forced labor in Xinjiang impacted him. Mr. Wrona's testimony highlighted how his former employer FerroGlobe planned to expand into the solar supply chain in New York, but less than a decade later they idled the plant causing 100 union members to lose their jobs.⁴ This real-world example highlights the continued lack of commitment to workers' rights in our

¹ <https://www.govinfo.gov/content/pkg/CHRG-106shrg67840/html/CHRG-106shrg67840.htm>

² Id.

³ <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china#:~:text=U.S.%20goods%20imports%20from%20China,overall%20U.S.%20imports%20in%202020>.

⁴ <https://www.finance.senate.gov/download/03182021-wrona-testimony>

federal trade policy. The PRC does not respect the core ILO standards: freedom of association, right to organize and bargain collectively, and freedom from child labor, forced labor, and discrimination.

We are heartened by the efforts of the Biden Administration, USTR Ambassador Katherine Tai, and Commerce Secretary Raimondo to re-align our government's trade mission to create a "worker-centered trade policy". Achieving this policy will require us to not only hold the PRC and other countries responsible for their unfair and predatory policies, but also to demand accountability from the financial institutions and multinational corporations for permitting these violations to occur. The USW sees a number of challenges and opportunities in recent policy actions by Congress and the Administration. Focusing on trade policy, this testimony will place emphasis on developments in trade enforcement, efforts by Congress to develop a competition strategy in response to the PRC's efforts, and finally the growing threat of the PRC's outbound investment strategy.

Trade Enforcement (AD/CVD – 232 – 301)

In this time of disrupted supply chains and uncertainty, it's important that we take a broad, long-term view of the practices and policies which have helped or hindered domestic manufacturers. The COVID-19 pandemic has changed consumers' purchasing habits in the near term, but efforts by companies and countries to illegally capture market share or subsidize products that impact U.S. manufacturers and workers are still present and getting more sophisticated.

Our union's efforts to defend American manufacturing workers – both union and non-union – has led us to be a participant in over 100 anti-dumping and countervailing duty (AD/CVD) trade enforcement cases.⁵ Many of those cases proved illegal dumping and subsidization by companies and countries into the U.S. market and if you look at the PRC alone, it represents just over one in three trade enforcement cases with 222 orders in place out of a total of 640 orders.⁶ Each of these cases represents not just violations of international law, but somewhere around one to three million dollars in litigation costs for companies and workers – on top of lost production, lost wages, lost jobs, and a growing sense of economic insecurity.

Countries and companies are getting more sophisticated in their efforts to evade tariffs and AD/CVD orders. This is why updates to our trade laws are necessary. The USW has endorsed S. 1187 introduced by Senators Brown and Portman, commonly referred to as "Leveling the Playing Field Act 2.0". The legislation takes critical steps to address deficiencies in our AD/CVD process. For example, S. 1187 will instruct the International Trade Commission (ITC) to consider previous successful petitions in a more meaningful way. This will save workers and employers' resources

⁵ <https://www.usw.org/union/mission/industries/metals/resources/steel-trade-enforcement-cases>

⁶ https://usitc.gov/sites/default/files/trade_remedy/documents/orders.xls

spent on fighting unfair trade and allow them to spend more resources rebuilding plants, paying workers, and sustaining communities. Another provision in the bill will address exporters of dumped and subsidized products who are gaming Department of Commerce calculations by selling low quantities of product at unusually high prices. This sort of gamesmanship of unrepresentative sales is a cheap trick that undermines trade investigations, impacts American jobs, and weakens confidence in our trade remedy laws.

The USW looks forward to working with the House to have companion legislation introduced and finding additional tools to help businesses, both large and small, compete in a global marketplace.

232

The USW has supported the investigation and implementation of the section 232 tariffs on steel and aluminum, as our members in those industries know the vital role they play in both defense and critical infrastructure. Global overcapacity in steelmaking and aluminum has for too long impacted domestic industries and led to plant closures, lost productivity, lost jobs, and economic uncertainty for our industrial heartland. The 232's have allowed the domestic industry to invest, upgrade facilities, and expand capacity – reducing our reliance on foreign steel and aluminum products. The industry continues to operate at high capacity and union workers in steel are seeing profit sharing checks.⁷ However, the broader issues of global excess steel capacity remain as the OECD steel forum indicated that a 478-million-ton gap of global excess steel capacity⁸ and imports into the U.S. have increased by 39 percent this year to date.⁹

Our union, like any good maintenance worker at a plant, knows that different tools are needed for different jobs, and the recent arrangement with the European Union (EU) is a new tool in trying to contain excess steel and aluminum capacity while better managing trade between allies.

The U.S.-EU arrangement will result in a Tariff Rate Quota (TRQ) and a right-sizing of the exclusion process for steel & aluminum products with a goal of actually managing trade flows of these goods. The lowering of retaliatory tariffs by the EU combined with commitments that steel imports from the EU actually be “melted and poured” in the economic zone are positive developments to contain excess capacity and lower trade tensions.

For the next 24 months, the U.S. and the EU will need to work aggressively to develop solutions containing out of market steel and aluminum, while building a

⁷ https://www.nwintimes.com/business/local/region-steelworkers-to-get-bonuses-of-as-much-as-16-500/article_fcdf9532-0b79-5f69-aebd-4a41964a591a.html

⁸ <https://www.oecd.org/industry/ind/90-oecd-steel-chair-statement.htm>

⁹ <https://www.steel.org/2021/11/steel-imports-up-39-year-to-date-through-october/>

regime to address carbon intensive production of steel and aluminum. Since the U.S. and EU are some of the least carbon intensive steel and aluminum producers globally, this effort will hopefully create a guidepost for future discussions.

This will take time and that is why USW is also taking a cautious approach to announcements of negotiations between the U.S., Japan, and the UK on the 232 tariffs. We currently have agreements or arrangements on 232 policy with six countries or economic zones (Argentina, Australia, South Korea, EU, Brazil & USMCA partners). Each of these negotiated deals is different in approach, and the goals and ultimately future efforts should be focused on maintaining high operating levels for domestic facilities and allowing for U.S. workers to manufacture these vital commodities. That was the goal of the previous Administration, and remains the goal of the Biden Administration.

301

The anti-competitive practices by China impact global markets, and the Biden Administration's commitment to addressing these issues through the continued implementation of the 301 tariffs should be commended. Let us make no mistake on the issues facing companies and workers by the tactics of the PRC. Forced tech transfers, state backed corporate espionage, and other illegal practices resulted in the implementation of Section 301 tariffs in 2018.¹⁰ These tariffs have led to a negotiated process and a phase one deal between the U.S. and the PRC. However, the PRC is running far behind in fulfilling its promises to boost purchases of U.S. goods by \$200 billion during 2020 and 2021 compared to 2017 levels, reaching only 60 percent of the target through September 30 of this year.¹¹

The failure of the PRC to live up to its commitments on the phase one deal is really just a symptom of a larger problem that the labor movement has flagged for decades. The AFL-CIO for example, filed Section 301 case petitions against China in 2004 and again in 2006, alleging that the Chinese government's systematic repression of workers' internationally recognized rights to freedom of association and collective bargaining constitutes an unfair trade practice, harming American workers and businesses.¹² These conditions still exist in the country and we cannot accept that solving forced tech transfers and getting the PRC to buy more American goods justifies a blind eye towards the PRC's actions towards Hong Kong protesters, an independent labor movement, the Uyghur ethnic group, or other violations of international norms.

U.S. Competition with the PRC (USICA – GSP – Foreign Investment by PRC)

¹⁰ <https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china/investigation>

¹¹ <https://www.reuters.com/business/us-trade-chief-tai-says-getting-traction-with-china-phase-1-deal-talks-2021-11-10/>

¹² <https://www.epi.org/publication/us-china-trade-testimony-lee-feb2020/>

This year as the People's Republic of China celebrates the 100th year of their communist party, it is important that we take stock on our country's efforts to counter and provide democratic and market-based alternatives to their economic model. The recent announcement that Speaker Pelosi and Majority Leader Schumer plan to conference Senate bill 1260 – the United States Competition and Innovation Act – provides a key opportunity to express our values and build back better policy with regard to the PRC. The Senate bill has several positive provisions. At the same time, there are troubling provisions that should be dropped or altered, and additional provisions could be added to address critical issues.

The union is supportive of efforts to provide funds to improve U.S. leadership in semiconductors and while those funds will take time to relieve supply shortages in semiconductors and build up new capacity, these are smart investments. The conference should also make efforts to incorporate and improve provisions related to investigations of the importation of goods produced by forced labor. The union also sees provisions which will strengthen U.S. technology and innovation infrastructure, like expanding STEM education and defending research and development as positive steps.

However, the Senate bill also incorporated trade provisions which must have a fuller debate on their effectiveness and importance to economic growth and promoting broadly-shared prosperity. The last-minute Senate inclusion of a renewal of the Generalized System Preference (GSP) program creates concerns for the union. While Ways and Means Trade Subcommittee Chairman Blumenauer's introduction of a more comprehensive renewal of the program is a helpful guide that conferees should review and consider should a trade title advance, we believe that the GSP is an outdated program that inadequately addresses serious labor violations, omits criteria related to the environment, lacks needed transparency, and fails to meet the standards of our more recent trade preference programs.

The union also sees a growing threat from China's expansion into third party countries in order to take advantage of U.S. programs that were designed to help economically developing nations. As Emily de La Bruyère, a senior fellow at the Foundation for Defense of Democracies, highlighted in a recent article regarding China's circumvention of trade remedies, "emerging economies, granted beneficial trade status to further develop and catch up with other markets, find those advantages co-opted by the industrial policies of a major power".¹³

This threat is real and must be addressed as Congress looks to renew GSP. For example, the USW represents tens of thousands of workers throughout the industry, including major domestic employers such as Goodyear, Sumitomo, Yokohama, Bridgestone, Titan Tire, and Kumho.

¹³ <https://www.hinrichfoundation.com/research/article/us-china/china-trade-remedies-united-states/>

As the largest tire manufacturing union, we have taken the threat of increased dumped and subsidized tire imports seriously. The USW successfully petitioned the Obama/Biden Administration to use a 421 investigation against China, followed by multiple successful anti-dumping and countervailing (AD/CVD) petitions against India and China on Passenger Vehicle Light Truck Tires (PVLТ), Off the Road Tires (OTR), and Bus and Truck Tires. In June of this year, the union also prevailed on an AD/CVD petition on PVLТ tires against Korea, Taiwan, Thailand, and Vietnam.¹⁴ The success of these petitions has shown that dumped and subsidized imports of tire products have caused material injury of the domestic industry.

Countries benefiting from the GSP program have significant tire making capacity and several have significant human rights and labor violations. Three countries – Indonesia, the Philippines, and Thailand – represent significant tire import volumes under the GSP program. All three of these countries have well documented labor and environmental abuses.^{15 16} In addition to this concern over labor violations in GSP beneficiary countries, the union is alarmed by reports of PRC-based firms' investments in GSP tire exporting countries that could lead to additional import pressures on U.S. producers and workers. For example, Shandong Linglong is investing in a 13.62-million-unit facility in Serbia; Doublestar has invested in a joint venture in Algeria, which will produce 5 million tires; and Shandong Haohua Tire Co. Ltd. has announced a tire plant in Sri Lanka that will export up to 9 million tires. These investments will increase export volumes and have the potential to undermine relief provided by successful AD/CVD petitions against Chinese firms. This committee should also pay close attention to recent allegations of forced labor conditions by a PRC based firm in Serbia in the construction of this new tire facility.¹⁷

Given these abuses of a program that was intended to benefit developing companies, not to punish American workers, the USW believes that tires should be excluded from GSP, and PRC based firms conducting foreign direct investments should not be permitted to use the GSP program.

As the largest union in the aluminum supply chain, we are also closely monitoring efforts to stop trans-shipment and circumvention of existing AD/CVD orders against PRC based firms. Recently Customs and Border Patrol (CBP) conducted an Enforcement and Protection Act investigation on a Dominican Republic firm owned by a PRC-based aluminum company. Not only did CBP find that this location was being used to transship and circumvent AD/CVD orders on aluminum extrusions, but in addition workers at the site handed notes to the investigators about mistreatment by management and factory supervisors, many of whom were PRC

¹⁴ <https://www.usw.org/news/media-center/releases/2021/usw-applauds-its-final-determination-on-pvlt-tires-from-korea-taiwan-thailand-and-vietnam>

¹⁵ <https://www.bbc.com/news/world-asia-54460090>

¹⁶ <https://www.state.gov/wp-content/uploads/2020/02/PHILIPPINES-2019-HUMAN-RIGHTS-REPORT.pdf>

¹⁷ <https://www.voanews.com/a/vietnamese-workers-at-chinese-factory-in-serbia-cry-for-help/6321688.html>

nationals. The violations included those that are often indicators of forced labor practices. CBP noticed obvious efforts to intimidate workers who were speaking with the investigation team.

Illegal transshipment and circumvention of AD/CVD orders is a serious violation, but apparent forced labor and serious violations of workers' rights in the Dominican Republic by a PRC based firm is a whole other situation. The U.S. government must address this pattern of labor abuses by PRC firms in third party countries and ultimately hold third party firms and countries accountable for labor violations by firms trying to import into the U.S. market.

These two examples of specific products – tires and aluminum extrusions – where imports are competing directly with U.S. producers and workers, highlight the need for a more sophisticated response in our development of policy as it relates to trade. A blanket reauthorization of the GSP program without empowering federal agencies to hold multi-national corporations and state-run actors like China accountable for labor and environmental violations is not just a missed opportunity but a failure for manufacturers and workers here in the U.S. who follow our domestic laws.

Conclusion

Supporting U.S. workers, businesses, and the environment in the face of unfair Chinese trade practices requires a whole of government approach, but trade policy must lead the way in setting the tone on holding the PRC accountable for the actions that its firms and agents are taking on the global stage. There is much to be hopeful for: the recent U.S.-EU 232 arrangement shows promise on trying to contain anticompetitive and polluting steel and aluminum capacity in the PRC, but the expansion of PRC based firms into third party countries shows a noxious growth that must be contained by democratic ideals and policy. USW stands ready to help improve labor rights, environmental conditions, and domestic employment opportunities for our communities. We urge Congress to take up this same commitment.